

ORIGINAL

OPEN MEETING AGENDA ITEM



0000079886

BEFORE THE ARIZONA CORPORATION

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19

COMMISSIONERS

2007 DEC 18 P 4: 46

MIKE GLEASON, Chairman
WILLIAM A. MUNDY, AZL CORP COMMISSION
JEFF HATCH-MILLER, DOCKET CONTROL
KRISTIN K. MAYES
GARY PIERCE

IN THE MATTER OF THE
APPLICATION OF ARIZONA
PUBLIC SERVICE COMPANY FOR
A HEARING TO DETERMINE THE
FAIR VALUE OF THE UTILITY
PROPERTY OF THE COMPANY FOR
RATEMAKING PURPOSES, TO FIX
A JUST AND REASONABLE REATE
OF RETURN THEREON, TO
APPROVE RATE SCHEDULES
DESIGNED TO DEVELOP SUCH
RETURN, AND TO AMEND
DECISION NO. 67744

DOCKET NO. E-01345A-05-0816

Arizona Corporation Commission
DOCKETED

DEC 18 2007

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| DOCKETED BY | nr |
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IN THE MATTER OF THE INQUIRY
INTO THE FREQUENCY OF
UNPLANNED OUTAGES DURING
2005 AT PALO VERDE NUCLEAR
GENERATING STATION, THE
CAUSES OF THE OUTAGES, THE
PROCUREMENT OF
REPLACEMENT POWER AND THE
IMPANCE OF THE OUTAGES ON
ARIZONA PUBLIC SERVICE
COMPANY'S CUSTOMERS

DOCKET NO. E-01345A-05-0826

IN THE MATTER OF THE AUDIT OF
THE FUEL AND PURCHASED
POWER PRACTICES AND COSTS
OF THE ARIZONA PUBLIC
SERVICE COMPANY

DOCKET NO. E-01345A-05-0827

**MOTION FOR STAY IN CONSIDERATION OF ARIZONA PUBLIC
SERVICE COMPANY'S PROPOSED PARTIAL REQUIREMENTS RATE
SCHEDULE E-57 AND APPROVAL OF A GENERIC ELECTRIC
SUPPLY/PURCHASE AGREEMENT CONTAINING SIMILAR TERMS AS SET
FORTH IN E-57**

Arizona Public Service Company ("APS") hereby requests the Arizona Corporation
Commission ("Commission") to stay its consideration of APS' proposed Partial
Requirements Rate Schedule E-57 until such time as APS has concluded a study to

1 determine the economic benefits of distributed generation and has incorporated such
2 benefits, if any, in its proposed E-57 rate. In the interim, APS seeks Commission
3 approval of a generic Commercial Electric Supply/Purchase Agreement ("Agreement")
4 and Rate Schedule SC-S, which contains similar terms to APS' currently proposed E-57
5 rate, for those customers that have or intend to install distributed photovoltaic ("PV") in
6 the near future. No other rate is currently available for such customers. Commission
7 approval of the Agreement and Rate Schedule SC-S will allow those customers that intend
8 to operate PV systems prior to the Commission's approval of an E-57 Rate Schedule, to
9 immediately benefit from the partial requirements rate by directly entering into the
10 Agreement with APS, which will thereafter be filed with the Commission for
11 informational purposes.

12 OVERVIEW

13
14 As part of APS' 2005 rate case, Docket Nos. E-01345A-05-0816, E-01345A-05-
15 0826 and E-01345A-05-0827, APS offered proposed Partial Requirements Rate Schedules
16 E-56 and E-57. E-57 was developed for general service customers having
17 solar/photovoltaic generating equipment greater than 100 kW but less than 1,000 kW that
18 is capable of supplying all or a portion of the customer's power requirements. In Decision
19 No. 69663, the Commission ordered APS to meet with Staff and other interested parties
20 and submit revised APS' E-56 and E-57 Rate Schedules within 60 days of the Decision.
21 In compliance with Decision No. 69663, APS conducted general meetings on August 6
22 and August 17, 2007, as well as follow-up meetings with individual stakeholders to
23 discuss and modify the E-56 and E-57 offerings. On August 28, 2007, based upon the
24 input of Staff and other interested parties, APS filed revised Partial Requirements Rate
25 Schedules E-56 and E-57 for Commission approval.

26 On September 10, 2007, Vote Solar Initiative and the Solar Alliance (together
27 referred to as "Solar Alliance") filed comments limited to APS' E-57 filing that addressed
28 the policy implications and the impact on the economics of photovoltaics ("PV") in

1 relation to APS' modifications to the E-57 Rate Schedule and the impact that such
2 modifications would have on the development of sustainable renewable resources in
3 Arizona. The Solar Alliance has recommended that the Commission postpone
4 consideration and implementation of the E-57 rate until completion of 1) a net metering
5 rulemaking; 2) the filing of Commission staff recommendations for Uniform Credit
6 Purchase Program; and 3) a final determination regarding the Company's Implementation
7 Plan of the newly enacted Renewable Energy Standard ("RES").

8 **RELIEF REQUESTED**

9 APS agrees that there is merit in postponement of consideration of proposed Rate
10 Schedule E-57 pending the outcome of the above mentioned regulatory efforts. In
11 addition, during the upcoming year APS proposes to engage in study to fully evaluate and
12 quantify the benefits and costs associated with deployment of large quantities of
13 renewable distributed resources. The specific purpose of the study is to analyze operating
14 impacts and value from integrating various levels of distributed energy into the APS
15 electrical system. The study will also be used to develop processes which can be used to
16 evaluate the specific costs and benefits for the various technologies eligible under the RES
17 rules as distributed resources. Particular interest will be placed on investigating system
18 impacts.

19 APS plans to contract with an external consultant to guide the study effort, working
20 in collaboration with APS, Arizona State University, other technical consultants, and
21 distributed energy stakeholders. Several working groups would likely be formed to
22 provide technical expertise and operational insight. In addition, a stakeholder group will
23 be formed and managed by the consultant, and supported by APS and the entire project
24 team. Results of the project should be available in about 12 months. The deliverable for
25 this study will be a published report detailing the findings in terms of system and financial
26 impact of these technologies.

27 However, if consideration of the E-57 Rate Schedule is postponed, APS anticipates
28 as many as 12 customers will have PV systems operational in the next year that will need

1 to be served. To accommodate customers' operational timing for current and future PV
2 facilities, APS is seeking approval of a generic Agreement and Rate Schedule SC-S. A
3 copy of the generic Agreement and Rate Schedule SC-S is attached as Exhibit A. Should
4 proposed Rate Schedule E-57 or a variant thereof become effective during the term of the
5 Agreement, either party may terminate the Agreement and receive service under such
6 Schedule. The proposed generic Agreement is similar to the ones approved by the
7 Commission for Luke Air Force Base in Decision No. 69416 and Frito-Lay in Decision
8 No. 70034.

9 RESPECTFULLY submitted this 18th day of December, 2007.

10 PINNACLE WEST CAPITAL CORP.
11 Law Department

12 By: Thomas L. Mumaw
13 Thomas L. Mumaw
14 Deborah R. Scott
15 Attorneys for Arizona Public Service Company
16 SNELL & WILMER L.L.P.

17 By: _____
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19 Original and 13 copies filed this
20 18th day of December, 2007, with:

21 Docket Control
22 Arizona Corporation Commission
23 1200 West Washington Street
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25 COPY of the foregoing hand-delivered
26 this 18th day of December, 2007, to:

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Exhibit A:

Generic
Agreement

**ARIZONA PUBLIC SERVICE COMPANY
SC-S COMMERCIAL ELECTRIC SUPPLY/PURCHASE AGREEMENT**

1. PARTIES

This Agreement for the purchase of electric power and energy from Customer's Generating Facility (GF) and/or the sale of power and energy to the Customer is entered into as of the ____ day of _____, ____ by and between ARIZONA PUBLIC SERVICE COMPANY, an Arizona Corporation ("APS" or "Company") and _____, ("Customer"), collectively ("the Parties").

2. RECITALS

This Agreement is entered into in respect to the following facts and considerations, all of which are considered to be an essential part of the terms and conditions which follow:

- 2.1 Customer intends to operate its Generation Facility (GF), consisting of a photovoltaic system with a ____ kW AC rated inverter, in electrical parallel with APS' distribution system and has entered into, or will enter into, an Agreement for the Interconnection of Customer's GF to the APS Distribution System with APS ("Interconnection Agreement"), prior to paralleling its GF with the APS system.
- 2.2 Customer desires to operate this GF in such a manner that Customer shall purchase its electrical power requirements from APS in accordance with the terms of this Agreement and attachments hereto.
- 2.3 APS and Customer intend to interconnect their respective facilities and systems in order that Customer may operate its GF under certain conditions for displacing electric power purchases from APS.
- 2.4 Electrical purchases from APS shall be three phase at approximately 60 Hertz with a delivery voltage of approximately _____.
- 2.5 The GF shall be permanently located at _____.

3. AGREEMENT

In consideration of the services to be performed by APS, and in consideration of the mutual agreements hereinafter, it is agreed as follows:

4. SALES TO CUSTOMER

- 4.1 APS shall sell, and Customer shall purchase and pay for, all electric power delivered and accepted by Customer in accordance with the terms of this Agreement, including but not limited to the Terms and Conditions for the Standard Offer and Direct Access Services ("Schedule 1") and the standard APS retail Rate Schedule E-__ and Rate Schedule SC-S as they may change from time to time. Changes made shall thereafter automatically amend and apply to this Agreement to the same extent as though they had been originally incorporated as a part of this Agreement. *Copies of the Rate Schedules and Terms and Conditions now in effect are attached to and made a part of this Agreement.*
- 4.2 This Agreement will become effective upon execution by the Parties, subject to any regulatory approvals required. The Customer agrees to take service in accordance with Rate Schedule SC-S and acknowledges that the ACC may approve, reject, or modify the terms and conditions of Rate Schedule SC-S. If the terms and conditions of Rate Schedule SC-S are changed or modified, the Customer will have the option of taking service under the Rate Schedule SC-S as modified, or under another applicable rate schedule offered by APS.

- 4.3 Billing and collection shall be made in accordance with Section 4 of APS Service Schedule 1.
- 4.4 The maximum electric service demand drawn by the Customer shall not exceed ____ kW, subject to the physical limitation of APS' system and further subject to the provisions of Section 4.6 hereof.
- 4.5 The minimum billing demand for purposes of establishing a minimum bill shall be ____ kW each month.
- 4.6 Customer agrees to provide APS with 30 days advance written notification of any increased electric demand over and above the maximum kW specified in Section 4.4, above, the Company will inform Customer if additional capacity is available. In any event, the Customer shall be liable, upon demand by APS, to the extent of any damage resulting through an increase in demand prior to Company authorization.
- 4.7 The electric service supplied hereunder may be interrupted or curtailed in accordance with APS Service Schedule 5.

5. DETERMINATION OF SUPPLEMENTAL SERVICE

Supplemental service shall be defined as demand and energy contracted by Customer to augment the power and energy generated by Customer's generation facility.

- 5.1 *Supplemental Demand:* Supplemental demand shall be the highest 15-minute integrated kW demand as recorded on the Supply Meter during the billing period.
- 5.2 *Supplemental Energy:* Supplemental energy shall be equal to all energy supplied to Customer as determined from readings of the Supply Meter.

6. DETERMINATION OF CONTRACT STANDBY CAPACITY

For each specific customer generating unit for which the Company is providing Standby Service, monthly Contract Standby Capacity shall be the simultaneous 15 minute integrated kW demand as recorded on the Generator Meter(s) at the time the customer's Supply Meter registers the highest 15 minute integrated kW demand during the billing period.

7. RATES

The Company shall bill the customer the sum of the amounts computed under 7.1, 7.2, 7.3 and 7.4 below:

- 7.1 Basic Service: The Basic Service and Revenue Cycle Service Charges included in the customer's applicable General Service rate schedule will continue to apply.
- 7.2 Supplemental Service: Supplemental service will be provided in accordance with the rate levels contained in the customer's applicable General Service rate schedule, excluding the monthly Basic Service and Revenue Cycle Service Charges.
- 7.3 Standby Service: The monthly charge for standby service shall equal the sum of the sections 7.3.1 and 7.3.2:
 - 7.3.1 The unbundled delivery demand charge contained in the customer's applicable General Service rate schedule which is multiplied by the 15 minute integrated kW measured on the Generator Meter during the customer's monthly peak demand.
 - 7.3.2 The unbundled delivery energy charge (if applicable) multiplied by the kWh measured on the Generator Meter during the customers billing month.
- 7.4 Adjustments: Applicable adjustments included in the customer's applicable general service rate schedule.

8. PURCHASES FROM CUSTOMER

The Company will pay the Customer for any energy purchased at the per kWh seasonal non-firm purchase rates as shown in the applicable version of APS Rate Schedule EPR-2 that is effective at the time of purchase.

9. METERING PROVISIONS AND BILLING PERIODS

In accordance with Sections 3, 4.8 and 4.11 of APS Service Schedule 2.

10. TERM OF AGREEMENT

This Agreement shall remain in effect for a period of (5) five years unless (a) it is terminated by mutual agreement of the Parties, (b) it is replaced by another electric supply/purchase agreement, (c) upon thirty (30) day's advance written notice given by either party, (d) a Commission approved rate schedule is available that provides essentially the same service, (e) it is terminated pursuant to Section 7 (Termination of Service) specified in Schedule 1 attached hereto, or (f) the Interconnection Agreement is terminated.

In addition, should Customer cease to operate his generation unit(s) for 60 consecutive days during periods other than planned scheduled maintenance periods, Company reserves the option to terminate the Agreement for service under this rate schedule by providing the customer with thirty (30) days written notice.

11. ENTIRE AGREEMENT

11.1 This Agreement and the documents attached hereto constitute the entire Agreement between the Parties relating to the subject matter hereof, there being no other agreements or understandings, written or oral, other than those contained in this Agreement and the attachments hereto. In the event of a conflict among the provisions of this Agreement and an attached document, the Agreement shall govern. This Agreement does not modify, change or impact any other agreement between the Parties such as that relating to the interconnection of Customer's GF.

11.2 The Parties may amend this Agreement but such amendment may only be effective and enforceable if it is set forth in a written instrument signed by both Parties.

12. ACCELERATION

In addition to any other rights and remedies of APS, any breach or default by Customer necessitating cancellation of the Agreement shall cause all amounts for service, which are independent of kilowatt-hours delivered, to become immediately due and payable to APS.

13. SERVICE RENDERED UNDER SPECIAL AGREEMENT

In accordance with Section 5 of APS Service Schedule 2

14. REGULATORY AUTHORITY

In accordance with Section 6 of APS Service Schedule 2

15. INDEMNITY

In accordance with Section 7 of APS Service Schedule 2

16. UNCONTROLLABLE FORCES

In accordance with Section 8 of APS Service Schedule 2

17 NOTICES

All written notices pursuant to this Agreement shall be delivered personally or forwarded by registered or certified mail including express overnight courier service, postage prepaid, return receipt requested to APS or Customer, as the case may be, at the address of that Party set forth below as follows:

To APS:

Arizona Public Service
Attn: APS Solar Partners Incentive Program
Mail Station: 3874
P.O. Box 53933
Phoenix, AZ 85072-3933
Telephone: 602-328-1924

To Customer:

Attn: _____

Telephone: _____

Changes in such designation may be made by notice similarly given.

18. CONFLICTS

In accordance with Section 10 of APS Service Schedule 2

19. SUCCESSORS AND ASSIGNS

In accordance with Section 11 of APS Service Schedule 2

20. DEPOSITS

In accordance with Section 2 of APS Service Schedule 1

21. GENERAL PROVISIONS

- 21.1 In the event that either party shall successfully bring suit to compel performance or for breach of this Agreement, that party shall be entitled to recover reasonable attorney's fees in addition to the amount of judgment and costs.
- 21.2 A waiver of any default of the other party or any other matter arising in connection with this Agreement, at any time by either party, shall not be construed a waiver of any subsequent default or matter.
- 21.3 THERE ARE NO UNDERSTANDINGS, AGREEMENTS, REPRESENTATIONS, OR WARRANTIES, EXPRESS OR IMPLIED (INCLUDING ANY WARRANTIES OR MERCHANT ABILITY OR FITNESS FOR A PARTICULAR PURPOSE), NOT SPECIFIED IN THIS AGREEMENT, THE REFERENCED SCHEDULES, ANY OTHER REFERENCED OR ATTACHED DOCUMENTS, OR IN THE APPLICABLE RULES OF THE ARIZONA CORPORATION COMMISSION CONCERNING THE SALE AND DELIVERY OF ELECTRICITY BY APS TO CUSTOMER. THIS AGREEMENT, INCLUDING THE REFERENCED SCHEDULES, ANY OTHER REFERENCED OR ATTACHED DOCUMENTS, AND THE APPLICABLE RULES OF THE ARIZONA CORPORATION

COMMISSION, STATES THE ENTIRE OBLIGATION OF APS IN CONNECTION WITH SUCH SALES AND DELIVERIES.

22. ATTACHMENTS

The following additional documents are attached to and made part of this Agreement:

- 22.1 Terms and Conditions for Standard Offer and Direct Access Services (Service Schedule 1)
- 22.2 Terms and Conditions for Energy Purchases from Qualified Cogeneration and Small Power Production Facilities (Service Schedule 2)
- 22.3 Guidelines for Electric Curtailment (Service Schedule 5)
- 22.4 APS Partial Requirements Special Contract - Solar Rate Schedule SC-S
- 22.5 APS _____ Rate Schedule E-_____
- 22.6 APS Purchase Rates for Qualified Facilities Under 100 kW for Partial Requirements Service Rate Schedule EPR-2.

23. EXECUTION

This Agreement has been executed by the duly authorized representatives of the parties, as set forth below:

ARIZONA PUBLIC SERVICE COMPANY

Signature: _____

Name: _____

Title: _____

Date Signed: _____

CUSTOMER

Signature: _____

Name: _____

Title: _____

Date Signed: _____

Exhibit A:

Rate Schedule SC-S



**SCHEDULE SC-S
CLASSIFIED SERVICE
PARTIAL REQUIREMENTS STANDARD CONTRACT - SOLAR**

AVAILABILITY

This rate schedule is available in all territory served by the Company at all points where facilities of adequate capacity and the required phase and suitable voltage are adjacent to the premises served and when all applicable provisions described herein have been met.

APPLICATION

Customers taking service under this rate schedule will be served in accordance with the attached template SC-S Electric Supply/Purchase Agreement between Company and Customer, which is incorporated herein by reference. This rate schedule is applicable to any general service customer having solar/photovoltaic generation equipment with a nameplate service continuous rating of greater than 100 kW capable of supplying all or a portion of its power requirements. Direct access customers are not eligible for service under this rate schedule.

METERING

The Company will install, at the customer's expense, a bi-directional meter at the point of delivery to the customer (Supply Meter) and meter(s) at the point(s) of output from each of the customer's generators (Generator Meter). All meters will record integrated demand and energy on the same 15- minute interval basis as specified by the Company.

CONTRACT PERIOD

As provided in the SC-S Electric Supply/Purchase Agreement between Company and Customer.

TERMS AND CONDITIONS

Customer must enter into an Interconnection Agreement and the SC-S Electric Supply/Purchase Agreement to establish all pertinent details related to interconnection and other required service standards. APS will file the executed Electric Supply/Purchase Agreement in compliance with A.C.C. Decision No. xxxxx.